

# Part 2: Application and Understanding Budget Reports

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# Overview – Sample Budgets

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Budget samples for Med-Surg, ER, OR, Fcc (clinic)

Then budget each 2 revenue accts

Ip (in-pt) and op (out-pt)

**Sample budget for Fcc or (Rural Health Clinic)**

**Time period** - At the top **FY – fiscal year**

- 7/1 to 6/30,

Time periods horizontal categories - examples are for 2013, 14, 15

Find months- Jan-Aug- why just 3 quarters?

# Sample budgets-Overview

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Headings under FY    **Actual, Budget, Forecast,**

**Actual - actual revenue received**

**Budget revenue - what was planned**

**Forecast – estimate based on past data, sometimes included**

Variance, Percent of Variance = variance % of budget (2016 )

**Variance – amt of difference between budgeted amt and actual amt., can be %**

**Revenue –income, before expenses**

**Expenses – costs (salary, equipment, etc)**

# Unit Budgets-Revenue

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## **Revenue-based on billing unit**

- Usually provided to unit

Where does it come from?

## **Different areas/services charge by different units**

- General care in-patient units = pt days = #pts X LOS
- OR/PACU = mins
- Procedures = procedure fee
- Clinics/office = per visit

What is unit of billing (revenue) for Fcc/RHC?

# Budgets- Revenue factor

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Deductions and deduction rate –not here

- Different budget

Net revenue (after deductions) here = Pt revenue

Collection rate = 100%

- Also another budget

Assumptions for budget

- Inflation rate
- Leap yr extra day = .3% Ip and Op

# Budget application-Revenue Fcc/RHC

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**Review Pt Revenue Ip (In-pt) , Op (out-pt, then Pt revenue, Net, then Total Revenue**

**What are Pt Revenue trends year to year**

<b>2013-Actual</b>	<b>2014-Actual</b>	<b>2015-Bdgt</b>	<b>2015 Forecast</b>	<b>2016 Budget</b>
1,135,089	1,239,594	1,234,030	1,251,418	1,241,587

# Budget application-Revenue Fcc/RHC

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**Variance-what is the variance (difference btw budget and actual (forecast )**

- Dollars ( less than) and %

**14-15 variance (\$)**    **% variance**

(108,089)                      -8.17%

**2016 Bdgt**                      **Variance 2015-16 (\$\$)**                      **variance %**

1,241,587                      \$26,168                      2.15%

# Budgets –Expenses

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**Expenses – costs, the financial obligations of operating**

Biggest category – Salaries

Based on # of FTEs

Fcc salaries

Fcc-Prov=provider (clinic) salaries

Other salary categories Agency provider- See Med-Surg Budget



# Salaries = FTEs are not = # of staff

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Salaries –based on FTEs times X hourly salary, + benefits, for 52 weeks

FTEs are adjusted to include coverage for vacations, PTO

2080 hrs = 1 FTE = 40 hrs X 52 weeks

- ***One person can't work 2080 hrs/yr so 1 FTE not = 1 person***
- Need to subtract non-productive hrs (2 wks vacation = 80 hrs, + 5 days holidays = 200, + 5 personal = 40 hrs = 320 hrs non-productive)
- FTEs based on # needed to cover care 2080 hrs (24/7), plus 320 non-productive hrs
- FTEs based on # pts X # of hrs of care (acuity) / productive hrs
- This is projected for a unit
- **Budget = planned** salary amt (based on FTEs for unit X hourly cost)
- **Actual = what was paid**

# FTEs – are not = to number of staff

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## FTEs examples

- Example
- Katie 40 hrs = 1 FTE
- Marc = 32 hrs = .8 FTE
- Bob = 32 hrs = .8
- Sue = 24 hrs = .6
- Liz = 8 hrs = .2
- Total = 3.4 FTEs , but 5 staff

# Staffing needs –Alt FTE estimate

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Can ID # of staff needed for pt care

- Using past data – general measure

Base on the pt census and # hrs of staff – not acuity (pt hrs of care)

# pts on unit at midnight divided by # hrs worked (# staff)

Ex., 15 pts at 2400

7AM to 7PM = 4 staff x 12 hrs = 48 hrs

7PM to 7 AM = 3 staff RNs worked 12 hrs each = 36 + 48= 84 hrs in 1 day

84hrs/15 pts = 5.6 hrs of care/pt

Future = 12 pts X 5.6 hrs = 67.2hrs of care/12 hr shifts = 5.7 FTEs staff needed

General - just # of staff, not type of staff (LPN vs RN) and not based on pt acuity (see ref list)

# Budgets-Salaries-Largest Expense

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Issue – is patient care a revenue or expense? Both

Patient revenue is a bundled charge

- Includes food, housekeeping, unit supplies, and nursing care

Salaries - cost of nursing care needed for patient care

- Salaries are needed to provide pt care for **revenue** and are source of income

Salaries = the largest portion of nursing budgets

- Salaries - categorized as costs/expenses

For budget- salaries-based on FTEs for unit (all combined for 1 salary#)

Overtime, supplemental staff (agency)– separate expenses on budgets

If OT and supplemental are continuously high, consider + FTEs as less costly

# Expense examples- Salaries-ER

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**Example salaries – ER**

**Types**

**Salaries, Provider salaries, Agency Provider, Agency**

**What are the Expense trends for “salaries”?**

2013 to 14,    2014 to 15 Forecast,    2015 Forecast to 16 budget

**Variance for “Salaries”**

2015-16	+11.41%	How much > 79,006
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# Expense examples- Salaries-ER

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## Variance for “Salaries”

**What category of “salaries” has the largest variance 2015-16 ?**

Agency provider	-87.05%	How < (201, 733)
VS 2014-15	3.31%	How much > 7426

**How to reduce agency salaries???**

# Budget – Other expenses –Med-Surg

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Salaries –review 2015 -16

- See all salaries =16.72% vs agency –see note

Fica – employer costs for SS (6.2% SS + 1.45% Medicare)

Pat charge supply - define

Oxy & gas -

Rxs -

Non-chrg pat supply - floor?

Food-? Unit?

R&M Equip – repair and maintenance?

Maintenance contr – contribution?

Office supply -

# Budget- Other examples

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Instr Repair and replace –

Minor equip –

Purchase service –

Printing –

Insurance- mal ins?

Training materials –

Dues and subscription –

Education –

Travel - Non ed-

Misc -

Rental -



# Application – Response to variances

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Budget Example    ER

**What's the largest % increase in expenses in 15-16?**

**What the largest dollar overage so far in 2016?**

**You are asked ? Why are your salaries costs so much high than budgeted???**

- Good Response -Pt revenue is up ( 89,496),
- Better Response -Provider salaries are down (201,733)

# Budgets, Pg 2 – other data

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**Compare total revenue – total expenses**

**Med-surg (pg 2 –top) what's the difference?**

- 2,317,221 budgeted rev vs 1,274,420 budgeted expenses  
= Med-Surg-Income (loss) 1,042, 801 Income

**Compare projected income (revenue – expenses) for med-surg, Fcc (RHC), ER, OR for 2015-16**

- Which unit generates the most income for this HCO - revenue after expenses
- Unit with highest contribution may be higher priorities for additional resources

# Budgets, Pg 2 – other factors

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**Bottom pg- revenue, expenses by vol**

**Volume – billing unit -**

**Revenue - per billing unit**

**Expense (non-salary) – per billing unit**

**Labor expenses - per billing unit**

Allows for comparison between units

Ex., ER labor vs med-surg vs clinic (nurse and provider not included)

# Budgets, Pg 2 – other factors

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OR and Med-surg –

- Box at bottom pg 2

Total

Productive FTEs – no data

Total FTEs

Productive hrs /vol indicator –only for OR

Rev per vol indicator - only for OR

AHR - ? Ave hr rate OR = 32.69, Med-surg = 32.86

Comparables

# Budget Management

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## 1. Review trends – monthly and quarterly

- 3rd quarter adjustments before end of FY

## 2. Scan variances - yr to date

- Look for
- Largest % change (=or -)
- Largest \$\$\$ category

## 3. Focus on controllable expenses

Food, FICA, R&M equipment – Not controllable

Salaries – agency use and overtime –more controllable

# YOUR budget

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Review your unit budget

Identify

1. Revenue trends- pt revenue over time, then 2016, then variance
2. Expenses- always review salaries-why?
3. Scan other expenses-look for +% and amts
4. If expenses are + budget (variance>), then look for reasons
5. Always know your numbers!
  - Trends in revenue for early ID
  - Positive or neg variances in expenses

# Budgets

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## QUESTIONS????

# References used in Part 1 and Part 2

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## Part 2 Reference

O'Keefe, M (2016) Acuity-adjusted staffing: A proven strategy to optimize patient care. *American Nurse Today*, 11 (3), 28-34.

Describes how to use patient acuity to determine staffing. Patient acuity is needed to determine nurse workload and evidence indicates it can influence pt outcomes recent changes in 13 state laws have mandated some type of legislation for nurse staffing. Article details different approaches used in some of these states to meet these requirements. All use some type of con-line acuity measure based on the EHR. Part 2 Budget meeting

## Part 1 Reference

Sherman, R (2012). The business of caring: What every nurse should know about cutting costs. *American Nurse Today*, 7(11) 32-35.

Over view of payments and expenses in a unit budget. On 2<sup>nd</sup> page are the major expense categories for salaries.



# References used in Part 1 and Part 2

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## Part 1 Cont

Schifalacqua, M M, Soukup, M, Kelley, W, Mason, AR (2012). Does evidence-based nursing increase ROI? *American Nurse Today*, 7(1), 32-33.

Reviews major research studies that support change in nursing practice to improve care but also to increase revenue.